

**SOUTHEASTERN LOUISIANA
AREA HEALTH EDUCATION CENTER**

Audit of Financial Statements

June 30, 2013



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Independent Auditor's Report

To the Board of Directors
Southeastern Louisiana Area
Health Education Center

Report on the Financial Statements

We have audited the accompanying financial statements of Southeastern Louisiana Area Health Education Center (the Center), which comprise the statement of financial position as of June 30, 2013, the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

NEW ORLEANS HOUSTON BATON ROUGE COVINGTON

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The McGladrey Alliance is a premier affiliation of independent accounting and consulting firms. The McGladrey Alliance member firms maintain their name, autonomy and independence and are responsible for their own client fee arrangements, delivery of services and maintenance of client relationships.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Center as of June 30, 2013, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying combining schedule of assets, liabilities, and net assets and combining schedule of support, revenue, expenses, and changes in net assets and the schedule of expenditures of federal awards, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, are presented for purposes of additional analysis and is also not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 12, 2013, on our consideration of the Center's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Center's internal control over financial reporting and compliance.



A Professional Accounting Corporation

Metairie, LA
December 12, 2013

**SOUTHEASTERN LOUISIANA AREA HEALTH
EDUCATION CENTER
Statement of Financial Position
June 30, 2013**

Assets	
Cash and Cash Equivalents	\$ 1,300,679
Grants Receivable	1,151,291
Notes Receivable, Net of Allowance	1,259,508
Cash Held in Escrow - Restricted	301,921
Prepaid Expenses	272
Deposits	300
Fixed Assets, Net	<u>306,801</u>
Total Assets	<u>\$ 4,320,772</u>
Liabilities	
Accounts Payable and Accrued Liabilities	\$ 411,016
Deferred Revenue	174,062
Notes Payable	<u>300,000</u>
Total Liabilities	<u>885,078</u>
Net Assets	
Unrestricted - Designated for Future Expenditures	<u>3,435,694</u>
Total Liabilities and Net Assets	<u>\$ 4,320,772</u>

The accompanying notes are an integral part of these financial statements.

**SOUTHEASTERN LOUISIANA AREA HEALTH
EDUCATION CENTER
Statement of Activities
For the Year Ended June 30, 2013**

Unrestricted Net Assets	
Support and Revenue	
Cooperative Endeavor with LSUMC - State Portion	\$ 354,367
Cooperative Endeavor with LSUMC - Federal Portion	90,419
Federal Grant Revenue	2,782,211
Grant Revenue - State and Private	1,071,655
Contract Revenue	1,586,136
Interest Income	78,111
Total Unrestricted Support and Revenue	5,962,899
Expenses	
Program Services	
Salaries and Related Benefits	3,535,574
Contractual	409,558
Administrative Cost	271,048
Supplies and Maintenance	184,337
Travel	178,114
Other	115,830
Rent	102,595
Other Professional Fees	95,017
Telephone and Communication	68,464
Contract Services	58,613
Operating Service Expense	44,737
Provisions for Losses on Notes Receivable	42,200
Consulting Fees	27,310
Postage	17,567
Advertising and Public Relations	16,565
Legal Fees	11,051
Equipment Expense	10,078
Utilities	6,968
Insurance	6,161
Professional Development	5,038
Dues and Subscription	300
Total Program Services	5,207,125
Supporting Services	
General and Administrative	697,981
Total Supporting Services	697,981
Total Expenses	5,905,106
Change in Unrestricted Net Assets	57,793
Unrestricted Net Assets, Beginning of Year	3,377,901
Unrestricted Net Assets, End of Year	\$ 3,435,694

The accompanying notes are an integral part of these financial statements.

**SOUTHEASTERN LOUISIANA AREA HEALTH
EDUCATION CENTER
Statement of Cash Flows
For the Year Ended June 30, 2013**

Cash Flows from Operating Activities	
Change in Unrestricted Net Assets	\$ 57,793
Adjustments to Reconcile Change in Unrestricted Net Assets to Net Cash Provided by Operating Activities	
Depreciation	21,380
Provision for Losses on Notes Receivable	42,200
(Increase) Decrease in:	
Grant Receivable	130,793
Prepaid Expenses	11,877
Increase (Decrease) in:	
Accounts Payable and Accrued Liabilities	(49,595)
Deferred Revenue	(47,982)
Net Cash Provided by Operating Activities	<u>166,466</u>
Cash Flows from Investing Activities	
Decrease in Notes Receivable	477,345
Proceeds from Certificate of Deposits	532,513
Net Cash Provided by Investing Activities	<u>1,009,858</u>
Cash Flows from Financing Activities	
Net Payments on Lines of Credit	(310,000)
Net Cash Used in Financing Activities	<u>(310,000)</u>
Net Increase in Cash and Cash Equivalents	866,324
Cash and Cash Equivalents, Beginning of Year	<u>736,276</u>
Cash and Cash Equivalents, End of Year	<u><u>\$ 1,602,600</u></u>

The accompanying notes are an integral part of these financial statements.

SOUTHEASTERN LOUISIANA AREA HEALTH EDUCATION CENTER

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies

Organization

Southeastern Louisiana Area Health Education Center (the Center), formerly known as Southeastern Louisiana Area Health Education Foundation, is a Louisiana non-profit organization originally chartered on June 22, 1989. Its purpose is to operate an area health education center in southeastern Louisiana, in order to plan for additional clinical educational opportunities in rural and underserved communities.

Federal Income Taxes

The Center is exempt from Federal income tax as an organization described in Section 501(c)(3) of the Internal Revenue Code.

Basis of Accounting

The Center prepares its financial statements in accordance with accounting principles generally accepted in the United States of America, involving the application of accrual accounting; consequently, revenues and gains are recognized when earned, and expenses and losses are recognized when incurred.

Basis of Presentation

The Center follows the provisions of the Financial Statements for *Not-for-Profit Organizations* Topic of the Financial Accounting Standards Board Accounting Standards Codification (FASB ASC). Under the Financial Statements for *Not-for-Profit Organizations* Topic of the FASB ASC, the Center is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. As of June 30, 2013, there are no temporarily or permanently restricted net assets.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Contributions

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions.

SOUTHEASTERN LOUISIANA AREA HEALTH EDUCATION CENTER

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

Contributions (Continued)

Contributed property and equipment is recorded at fair value at the date of donation. In the absence of donor-imposed stipulations regarding how long the contributed asset must be used, the Center has adopted a policy of implying a time restriction on contributions of such assets that expires over the assets' useful lives.

Donated Goods and Services

Organizations are required to recognize as revenue and related expense, services received if the organization would typically need to purchase the services if not received as donations. No amounts have been reflected in the financial statements for donated goods and services because there was either no objective basis available to measure their value or the value given was immaterial to the financial statements taken as a whole.

Revenue and Expenses

Support for the Center is provided primarily by the Louisiana State University and Agricultural and Mechanical College, acting on behalf of the Louisiana State University Medical Center (LSUMC), by federal grants received either directly from federal agencies or passed through state and local governmental agencies, and by contracts agreement signed with various state agencies to provide support personnel. Interest income is also generated by the Rural Loan Fund.

Expenditures pertaining to the funding provided by LSUMC are to be made in accordance with a budget, which has been adopted and made a part of the cooperative endeavor with LSUMC. The Center is to be reimbursed by LSUMC for costs incurred in carrying out the provisions of the agreement.

For federal and state grants administered on a cost-reimbursement basis, revenue is recognized as allowable expenditures are incurred.

Fixed Assets

Effective with the October 1, 1994, cooperative endeavor between LSUMC and the Center, title to equipment purchased with these funds is to remain with the Center. Prior to October 1, 1994, title to equipment purchased with these funds was to remain with LSUMC. Therefore, equipment purchased with funds provided by LSUMC during the fiscal year ended June 30, 2013, have been capitalized and recorded in the Statement of Financial Position. In addition, the costs of automobiles, furniture, and office equipment purchased with funds provided by federal award programs have been capitalized and recorded in the Statement of Financial Position. Acquisitions of property and equipment in excess of \$1,000 and an economic useful life greater than one year are capitalized. Property and equipment are carried at cost or, if donated, at the approximate fair value at the date of donation. Depreciation is computed using the straight-line method over the estimated useful lives of the related assets as follows: building and building improvements 30 years, furniture and equipment 5 to 7 years.

SOUTHEASTERN LOUISIANA AREA HEALTH EDUCATION CENTER

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

Notes Receivable

Notes receivable (related to the Rural Loan Fund) are stated at their principal balances outstanding. Interest income on notes receivable is recognized using the interest method.

An allowance is established in an amount that management believes will be adequate to absorb possible losses on existing notes that may become uncollectible, based on evaluation of the collectability and prior loss experience. The evaluations take into consideration such factors as current economic conditions that may affect the borrowers' ability to pay.

Cash Flow Information

The Center considers all short-term investments with an original maturity of three months or less to be cash equivalents. The Center did not make any cash payments for income taxes during the year ended June 30, 2013.

Advertising Costs

Advertising costs are expensed as incurred. There were no advertising expenses for the year.

Note 2. Cash and Cash Equivalents

Concentration of Risk

The Center periodically maintains cash in bank accounts in excess of insured limits. The Center has not experienced any losses and does not believe that significant credit risk exists as a result of this practice.

The following is a reconciliation of cash and cash equivalents per the Statement of Financial Position and the Statement of Cash Flows:

Cash and Cash Equivalents per Statement of Financial Position:

Cash on Hand and in Bank	\$ 1,300,679
Cash Held in Escrow - Restricted	<u>301,921</u>

**Total Cash and Cash Equivalents per
Statement of Cash Flows**

\$ 1,602,600

SOUTHEASTERN LOUISIANA AREA HEALTH EDUCATION CENTER

Notes to Financial Statements

Note 3. Notes Receivable

The Center operates the Rural Loan Fund Program to assist rural health clinics and hospitals obtain low-interest loans to assist in obtaining necessary equipment and facilities to enhance their ability to provide high-quality health care to residents in rural areas of the State of Louisiana.

At June 30, 2013, the Center had eighteen notes outstanding, totaling \$1,278,008. At June 30, 2013, fifteen of the notes were classified as current with three classified as past due. The eighteen notes have interest rates of approximately 2% to 7%, with maturities ranging from 2012 to 2022.

During the year ended June 30, 2013, the Center conducted a review of its notes receivables and considers all but three of the notes receivable at June 30, 2013, to be fully collectible. Therefore, the Center provided for an allowance for doubtful accounts. At June 30, 2013, the allowance for doubtful accounts was \$18,500.

Note 4. Cash Held in Escrow

The Center has a \$300,000 non-interest bearing note, as described in Note 6, issued by the Louisiana Public Facilities Authority (LPFA). Under the terms of the agreement, the Center was required to place these funds in an escrow account until the funds have been loaned out to rural health clinics and hospitals. At June 30, 2013, the balance of the account was \$301,921.

Note 5. Fixed Assets

As of June 30, 2013, fixed assets consist of the following:

Buildings	\$ 402,260
Office Equipment	110,942
Office Furniture	43,751
Vehicles	31,882
	<hr/> 588,835
Less: Accumulated Depreciation	<hr/> (282,034)
Total	<hr/> \$ 306,801 <hr/>

All capitalized assets are depreciated using the straight-line basis over the estimated useful lives of the assets. Depreciation expense for the year ended June 30, 2013, totaled \$21,380.

SOUTHEASTERN LOUISIANA AREA HEALTH EDUCATION CENTER

Notes to Financial Statements

Note 6. Line of Credit and Notes Payable

As of June 30, 2013, the Center had a \$600,000, line of credit with a local banking institution. The line bears interest at Index plus 3.25% and matures July 10, 2015. As of June 30, 2013, the balance outstanding on the line of credit was \$-0-. In addition, the Center has a \$300,000 note payable from the LPFA. The note is non-interest bearing, and the entire principal balance is due in July 2022.

Note 7. Retirement Plan

The Center established an employer sponsored 403(b) Annuity Plan (the Plan) effective October 1, 1990, to provide retirement benefits for employees of the Center and the payment of benefits to employees and their beneficiaries. The Center's contribution was 7% of the employees' salaries during the year ended June 30, 2013. Additionally, an amount determined by resolution of the Board of Directors of the Center may be contributed to the Plan. The contribution to the Plan for the year ended June 30, 2013, amounted to \$187,456.

Note 8. Functional Allocation of Expenses

The costs of providing the various programs and activities have been summarized on a functional basis in the Statement of Activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Note 9. Uncertain Tax Positions

All tax returns have been appropriately filed by the Center. As of December 12, 2013, the Center had not filed their 2012 tax return. The Center recognizes interest and penalties, if any, related to unrecognized tax benefits in income tax expense. The Center's tax filings are subject to audit by various taxing authorities. The Center's open audit periods are 2009 through 2011. Management evaluated the Center's tax positions and concluded that the Center had taken no uncertain tax positions that require adjustment to the financial statements to comply with the provisions of this guidance.

Note 10. Subsequent Events

Management has evaluated subsequent events through the date that the financial statements were available to be issued December 12, 2013, and determined that no events occurred that require disclosure. No subsequent events occurring after this date have been evaluated for inclusion in these financial statements.

SUPPLEMENTARY INFORMATION

**SOUTHEASTERN LOUISIANA AREA HEALTH
EDUCATION CENTER**
Supplementary Information
Combining Schedule of Assets, Liabilities and Net Assets
For the Year Ended June 30, 2013

Schedule I

	Program Services	Supporting Services	Plant Fund	Totals
Assets				
Cash and Cash Equivalents	\$ 125,708	\$1,174,971	\$ -	\$1,300,679
Grants Receivable	1,151,291	-	-	1,151,291
Notes Receivable, Net of Allowance	1,259,508	-	-	1,259,508
Cash Held In Escrow - Restricted	301,921	-	-	301,921
Prepaid Expenses	4,935	(4,663)	-	272
Deposits	-	300	-	300
Due from Other Programs	-	4,116,702	-	4,116,702
Fixed Assets, Net	-	-	306,801	306,801
Total Assets	\$ 2,843,363	\$5,287,310	\$ 306,801	\$8,437,474
Liabilities				
Accounts Payable and Accrued Liabilities	\$ 22,353	\$ 388,663	\$ -	\$ 411,016
Deferred Revenue	174,062	-	-	174,062
Notes Payable	300,000	-	-	300,000
Due to Other Programs	4,084,820	-	31,882	4,116,702
Total Liabilities	4,581,235	388,663	31,882	5,001,780
Net Assets (Deficit)				
Unrestricted - Designated for Future Expenditures	(1,737,872)	4,898,647	274,919	3,435,694
Total Liabilities and Net Assets	\$ 2,843,363	\$5,287,310	\$ 306,801	\$8,437,474

See independent auditor's report.

**SOUTHEASTERN LOUISIANA AREA HEALTH
EDUCATION CENTER**

Schedule II

Supplementary Information

**Combining Schedule of Support, Revenue, Expenses and Changes in Net Assets
For the Year Ended June 30, 2013**

	Program Services	Supporting Services	Plant Fund	Totals
Support and Revenue				
Cooperative Endeavor with LSUMC - State Portion	\$ -	\$ 354,367	\$ -	\$ 354,367
Cooperative Endeavor with LSUMC - Federal Portion	-	90,419	-	90,419
Federal Grant Revenue	2,782,211	-	-	2,782,211
Grant Revenue - State and Private	1,071,655	-	-	1,071,655
Contract Revenue	-	1,586,136	-	1,586,136
Interest Income	76,155	1,956	-	78,111
Total Support and Revenue	3,930,021	2,032,878	-	5,962,899
Expenses				
Salaries and Related Benefits	3,535,574	484,358	-	4,019,932
Contractual	409,558	9,472	-	419,030
Administrative Cost	271,048	-	-	271,048
Supplies and Maintenance	184,337	48,078	-	232,415
Travel	178,114	25,746	-	203,860
Other	115,830	1,650	-	117,480
Other Professional Fees	95,017	19,791	-	114,808
Rent	102,595	-	-	102,595
Telephone and Communication	68,464	14,573	-	83,037
Contract Services	58,613	-	-	58,613
Operating Service Expense	44,737	-	-	44,737
Provisions for Losses on Notes Receivable	42,200	-	-	42,200
Consulting Fees	27,310	5,400	-	32,710
Bank Fees	-	29,747	-	29,747
Postage	17,567	4,701	-	22,268
Depreciation	-	-	21,380	21,380
Equipment Expense	10,078	10,132	-	20,210
Advertising and Public Relations	16,565	751	-	17,316
Legal Fees	11,051	4,264	-	15,315
Utilities	6,968	8,218	-	15,186
Insurance	6,161	6,247	-	12,408
Professional Development	5,038	-	-	5,038
Dues and Subscription	300	3,473	-	3,773
Total Expenses	5,207,125	676,601	21,380	5,905,106
Change in Net Assets	(1,277,104)	1,356,277	(21,380)	57,793
Net Assets, Beginning of Year	(460,768)	3,542,370	296,299	3,377,901
Net Assets, End of Year	\$ (1,737,872)	\$ 4,898,647	\$ 274,919	\$ 3,435,694

See independent auditor's report.

OMB CIRCULAR A-133 SECTION

**SOUTHEASTERN LOUISIANA AREA HEALTH
EDUCATION CENTER**
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2013

FEDERAL GRANTOR/PASS THROUGH GRANTOR/ PROGRAM TITLE	Federal CFDA Number	Federal Revenue Recognized	Federal Expenditures
<u>U.S. Department of Health and Human Services</u>			
Direct Award:			
Rural Health Care Services Outreach, Rural Health Network Development and Small Health Care Provider Quality Improvement Program	93.912	\$ 71,979	\$ 71,979
Passed-through Louisiana State University Medical Center:			
Area Health Education Centers Point of Service Maintenance and Enhancement Awards	93.107	90,419	90,419
Passed-through City of New Orleans - Office of Health Policy:			
HIV Emergency Relief Project Grants - Ryan White HIV/AIDS Treatment - MAJOR PROGRAM	93.914	528,628	528,628
Passed through New Orleans Regional AIDS Planning Council:			
HIV Emergency Relief Project Grants - Ryan White HIV/AIDS Treatment - MAJOR PROGRAM	93.914	267,220	267,220

See accompanying notes to schedule of expenditures of federal awards.

**SOUTHEASTERN LOUISIANA AREA HEALTH
EDUCATION CENTER**
Schedule of Expenditures of Federal Awards (Continued)
For the Year Ended June 30, 2013

FEDERAL GRANTOR/PASS THROUGH GRANTOR/ PROGRAM TITLE	Federal CFDA Number	Federal Revenue Recognized	Federal Expenditures
<u>U.S. Department of Health and Human Services (Continued)</u>			
Passed-through Florida Parishes Human Services Authority:			
Block Grants for Community Mental Health Services	93.958	54,219	54,219
Subtotal - U.S. Department of Health and Human Services		1,012,465	1,012,465
<u>U.S. Department of Education</u>			
Passed-through Louisiana Department of Health and Hospitals:			
Special Education - Grants for Infants and Families	84.181	1,860,165	1,860,165
Subtotal - U.S. Department of Education		1,860,165	1,860,165
Total		\$ 2,872,630	\$ 2,872,630
Reconciliation			
Cooperative Endeavor with LSUMC - Federal Portion		\$ 90,419	
Federal Grant Revenue		2,782,211	
Total		\$ 2,872,630	

See accompanying notes to schedule of expenditures of federal awards.

**SOUTHEASTERN LOUISIANA AREA HEALTH
EDUCATION CENTER**

**Note to the Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2013**

Note 1. Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the grant activity of Southeastern Louisiana Area Health Education Center and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in, the preparation of the basic financial statements.

**REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER
MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Independent Auditor's Report

To the Board of Directors
Southeastern Louisiana Area
Health Education Center

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Southeastern Louisiana Area Health Education Center (the Center), which comprise the statement of financial position as of June 30, 2013, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 12, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Center's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Center's internal control. Accordingly, we do not express an opinion on the effectiveness of the Center's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

NEW ORLEANS HOUSTON BATON ROUGE COVINGTON

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Center's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Center's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. Under Louisiana Revised Statute 24:513, this report is distributed by the Louisiana Legislative Auditor as a public document.

A handwritten signature in cursive script that reads "LaForte".

A Professional Accounting Corporation

Metairie, LA
December 12, 2013

**REPORT ON COMPLIANCE FOR EACH MAJOR
FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE;
AND REPORT ON SCHEDULE OF EXPEDITURES OF FEDERAL
AWARDS REQUIRED BY OMB CIRCULAR A-133**

Independent Auditor's Report

To the Board of Directors
Southeastern Louisiana Area
Health Education Center

Report on Compliance for Each Major Federal Program

We have audited Southeastern Louisiana Area Health Education Center's (the Center) compliance with the types of compliance requirements described in the OMB Circular A-133 *Compliance Supplement* that could have a direct and material effect on the Center's major federal program for the year ended June 30, 2013. The Center's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to the Center's federal program.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Center's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Center's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Center's compliance.

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Opinion on Each Major Federal Program

In our opinion, the Center complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2013.

Report on Internal Control Over Compliance

Management of the Center is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Center's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Center's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Under Louisiana Revised Statute 24:513, this report is distributed by the Louisiana Legislative Auditor as a public document.



A Professional Accounting Corporation

Metairie, LA
December 12, 2013

**SOUTHEASTERN LOUISIANA AREA HEALTH
EDUCATION CENTER**
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2013

A. Summary of Audit Results

Financial Statements

- | | |
|--|------------|
| 1) Type of auditor's report | Unmodified |
| 2) Internal control over financial reporting and compliance and other matters | |
| a) Material weaknesses identified | None |
| b) Significant deficiencies identified not considered
to be material weaknesses | None |
| c) Noncompliance noted | None |
| 3) Management letter comment provided | None |

Federal Awards

- | | |
|---|------------|
| 4) Internal control over major programs | |
| a) Material weaknesses identified | None |
| b) Significant deficiencies identified not considered
to be material weaknesses | None |
| 5) Type of auditor's report issued on compliance for major program | Unmodified |
| 6) Audit findings disclosed that are required in accordance
with OMB A-133, Section 510a | None |
| 7) Identification of major programs
93.914 – HIV Emergency Relief Project Grants – Ryan White HIV/AIDS Treatment | |
| 8) Dollar threshold used to distinguish between Type A and B programs | \$300,000 |
| 9) Auditee qualified as a low-risk auditee under OMB A-133, Section 530 | Yes |

B. Findings Related to the Financial Statements

None.

C. Findings and Questioned Costs Related to Major Federal Award Programs

None.